FINANCIAL ANALYSIS

SCHOOL CITY OF GARY

January, 1973

School City's 1973 General Fund budget is \$40,611,453. Estimated income for this year is \$34 million. Of this amount, about 30% comes from State sources. The rest derives almost exclusively from local property taxes. State support for public education in Indiana is below the national average of over 40%.

If the 1973 General Assembly increases financial support for schools, and if something akin to the State Department of Public Instruction's proposed distribution formula is passed, Gary's 1974 income will be around \$40 million. Were this to happen we would be close to financial stability (i.e., a balanced budget) for the first time in five years.

Both developments seem more possible than in past years for several reasons. Most important of these is the financial pinch being felt by about a third of the 300 plus school districts in the State. The "Gary problem" of 1972 is the "Indiana problem" of 1973. In addition, Governor Bowen recognizes the need for tax reform. Also, there is considerable activity in the courts of several states which may bring a legal mandate revolutionizing current methods of public school financing. It is probable the U. S. Supreme Court will rule on one of these cases - out of Texas - before our own General Assembly adjourns. The general thrust of the litigation is to question the constitutionality of the present heavy reliance on the local property tax. Such a system, it is argued, denies equal protection under the 14th Amendment

in that the quality of education (in dollar terms) becomes a function of where a child lives and the wealth of his neighbors.

Assuming these developments, the long-term prognosis is favorable. We do face a short-lived but painful period in the last quarter of this year due to our 1973 anticipated deficit of $6 million.

School City's financial expenditures have leveled off in the last couple of years. In the 1960's cost per pupil increased an average of 10% per year, doubling in the decade of 1960-70. In 1970 General Fund spending totaled $37.7 million; in 1971, $39.6 million, an increase of about 5%. In 1972 actual expenditures declined to $38 million. As would be expected under such circumstances, cost per child has also leveled. For 1972 it was $935, compared to the national average of $929.

As to spending by category, a 1972 Indiana Farm Bureau report of costs in each of the more than 300 school districts in the State shows that Gary spends less per student than the State average on administration, slightly more on instruction, much less for transportation, and more per student for custodial and maintenance services. School City's per dollar allocations in 1973 will be as follows:

Administration	$ .02
Teaching and working with students	.73
Books and instructional supplies	.01
Employee benefits	.05
Operation of buildings	.12
Maintenance and repair of buildings	.04
Security	.01
Transportation	.01
Miscellaneous costs	.01
	$ 1.00

Public Law 171 passed by the 1972 General Assembly helped Gary eliminate an accumulated deficit by allowing the use of building funds for operating purposes.

This legislation freezes new construction through 1975. The negative consequences of this are blunted somewhat in that we are just now completing a multi-year building program which has substantially modernized our physical plant and provides an adequate number of classrooms. The pressure on facilities has also been relieved by the fact that we are in a period of enrollment decline. A five-year drop of just under 5,000 students (Fall '67, 48,509; Fall, '72, 43,687) is accounted for by (1) an exodus of white students, (the black and Latin pupil population has remained fairly constant) and (2) decreasing enrollment in the elementary schools due to a lower birth rate.

Projecting a 1974 income of $40 million comes close to balancing the budget and maintaining present program assuming: (1) 1973 expenditures of no more than $40 million, (2) inflation control, (3) maintaining the present annual expenditure increase of no more than 5%, (4) continued enrollment decline through 1974 averaging 1,000 students per year, and (5) no general salary increase for employees.

The final assumption is the most difficult. The last salary increase for staff was two years ago in January 1971. Since that time the cost of living has increased about 6% and will undoubtedly continue to do so through 1973 when our present Collective Bargaining Agreement with the Teachers Union expires. The average annual salaries of our major employee groups for 1972 were as follows:

Teachers	$ 10,362
Administrators	18,309
Custodians	5,629
Clerical	5,201
Maintenance	13,303

Improved salary schedules in the next round of negotiations are justified

in light of the continuing increase in the cost of living. As a rule of thumb, each 1% of increase for certified employees (teachers and administrators) amounts to $250,000 per year. Obviously, then, a 1974 income of $40 million will not at the same time maintain present program and provide general salary raises for staff.

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